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IP-377 (Project 38.636)

Revised draft prepared
by Ch/E and transmitted
20 Dec 54 to DD/I thru
AD/RR

Dear ?

25X1C

Thanks very much for passing me a draft of [REDACTED]

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25X1C

[REDACTED] Our people have read it with much interest.

The paper's first conclusion (para. 2a) is that the importation of large quantities of consumers' goods would affect the expansion of Soviet heavy industry, thus reversing a policy in effect since 1929. We believe, and Soviet announcements covering industrial development during the first six months of 1954 bear this out, that heavy industry will continue to receive primary emphasis in Soviet economic development. The additional push on consumers' goods appears to affect military expenditures rather than investment in heavy industry.

We agree with the paper's second conclusion, that a Soviet plan to increase greatly imports of consumers goods would run into difficulties because of a lack of exports. Under the Malenkov regime, the USSR has embarked on a program which has attempted to convince the Free World that the Soviet Union wishes to expand its foreign trade. Present estimates are that 1954 trade, while sharply higher than in 1953, will probably not exceed the levels of 1952 under Stalin. Consumers' goods imports are currently placed at a level of approximately one per cent of the estimated total USSR domestic sales of such goods. While Soviet foreign trade is expected to increase over the short term, most types of Soviet products available for export are not in short supply in the West. Massive increases, therefore, are not expected.

The final conclusion of the paper is that should the Soviets embark on a successful large-scale import program, the regime would not be embarrassed by the political consequences of bringing large quantities of Western goods to Soviet consumers. We agree, and draw your attention to the nature of most Soviet consumer-type imports. These are foodstuffs - meat, fish, butter, oils and fats, and sugar. The origin of these goods would be easy to disguise should the Soviet regime decide to do so. We agree that a somewhat higher Russian standard of living would not constitute a future threat to the regime, nor would it presage an end to Soviet expansionist tendencies.

Your thoughtfulness in sending us a copy of the draft is appreciated.

25X1A

OCh/E/RR
[REDACTED]/lp

20 Dec '54

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